

Assembly Bill No. 89

CHAPTER 741

An act to amend Sections 17199.3 and 17199.4 of, and to repeal Section 94153 of, the Education Code, relating to educational facilities, and making an appropriation therefor.

[Approved by Governor September 22, 1998. Filed with Secretary of State September 23, 1998.]

LEGISLATIVE COUNSEL'S DIGEST

AB 89, Pringle. California School Finance Authority Act: California Educational Facilities Authority Act.

Existing law, known as the California School Finance Authority Act, establishes the California School Finance Authority and authorizes it to administer the continuously appropriated California School Finance Authority Fund. The act limits to \$400,000,000 the total amount of revenue bonds that may be issued under a provision of the act, which is to be repealed on January 1, 2006, that permits a participating school district or county office of education to obtain state assistance from the authority to guarantee or provide for payment of bonds issued under the act in connection with securing financing or refinancing of projects, except for working capital.

This bill would delete the \$400,000,000 limitation on the issuance of bonds under this bond guarantee or payment provision and delete the January 1, 2006, repeal date, thereby extending its duration indefinitely. This bill would make an appropriation by deleting the limitation on issuance of revenue bonds for, and extending the duration of, the bond guarantee or payment provisions, for which continuously appropriated funds could be expended.

Under existing law, the total amount of bonds authorized to be outstanding at any one time under the California Educational Facilities Authority Act, with respect to dormitory or educational facility projects, is \$2,600,000,000 and the total amount of bonds authorized to be outstanding at any one time under the act, with respect to student loan projects, is \$300,000,000.

This bill would make an appropriation by repealing these limitations.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 17199.3 of the Education Code is amended to read:

17199.3. (a) The total amount of revenue bonds which may be issued and outstanding at any time for purposes of this chapter, other than those revenue bonds issued under Section 17199.4, shall not exceed four hundred million dollars (\$400,000,000).

(b) The total amount that may be outstanding at any time under this chapter, for purposes of Section 17199.4 only, shall not exceed four billion dollars (\$4,000,000,000).

(c) For purposes of subdivisions (a) and (b), bonds which meet any of the following conditions shall not be deemed to be outstanding:

(1) Bonds which have been refunded pursuant to Section 17188.

(2) Bonds for which money or securities in amounts necessary to pay or redeem the principal, interest, or any redemption premium on the bonds have been deposited in trust.

(3) Bonds which have been issued to provide working capital.

SEC. 2. Section 17199.4 of the Education Code is amended to read:

17199.4. (a) Notwithstanding any other law, any participating school district or county office of education, in connection with securing financing or refinancing of projects, except working capital, pursuant to this chapter may elect to guarantee or provide for payment of the bonds in accordance with the following conditions:

(1) If a participating school district or county office of education adopts a resolution by a majority vote of its board to participate under this section, it shall provide notice to the Controller of that election. The notice shall include a schedule for the repayment of principal and interest on the bonds and identify a trustee appointed by the participating school district or county office of education or the authority for purposes of this section. The notice shall be provided not later than the date of issuance of the bonds.

(2) If, for any reason, the school district or county office of education will not make the payment of principal and interest at the time the payment is required, the participating school district or county office of education shall notify the trustee of that fact and of the amount of the deficiency. The trustee shall immediately communicate that information to the Controller.

(3) Upon receipt of the notice required by paragraph (2), the Controller shall make an apportionment to the trustee in the amount of the deficiency for the purpose of making the required payment of principal or interest, or both. The Controller shall make that apportionment only from moneys in Section A of the State School Fund designated for apportionment to the district pursuant to Section 42238 or to the county office of education pursuant to Section 2558.

(4) As an alternative to the procedures set forth in paragraphs (2) and (3), the participating school district or county office of education may provide a transfer schedule in its notice to the Controller of its election to participate under this section. The transfer schedule shall



set forth amounts to be transferred to the trustee and the date for the transfers. The Controller shall, subject to the limitation in the last sentence of paragraph (3), make apportionments to the trustee of those amounts on the specified date for the purpose of making those transfers.

(b) The amount apportioned for a school district or for a county office of education pursuant to this section shall be deemed to be an allocation to the district or the county office of education for purposes of subdivision (b) of Section 8 of Article XVI of the California Constitution. For purposes of computing revenue limits pursuant to Section 42238 for any school district or pursuant to Section 2558 for any county office of education, the revenue limit for any fiscal year in which funds are apportioned for the district or for the county office of education pursuant to this section shall include any amounts apportioned by the Controller pursuant to paragraphs (3) and (4) of subdivision (a).

(c) (1) School districts or county offices of education that elect to participate under this section shall apply to the authority. The authority shall consider each of the following priorities in making funds available:

(A) First priority shall be given to school districts or county offices of education that apply for funding for instructional classroom space.

(B) Second priority shall be given to school districts or county offices of education that apply for funding of modernization of instructional classroom space.

(C) Third priority shall be given to all other eligible costs, as defined in Section 17173.

(2) The authority shall prioritize applications at appropriate intervals.

(3) A school district electing to participate under this section that has applied for revenue bond moneys for the purposes of joint venture school facilities construction projects, pursuant to Article 5 (commencing with Section 17060) of Chapter 12, shall not be subject to the priorities set forth in paragraph (1).

(d) This section shall not be construed to make the State of California liable for any payment of principal or interest on any bonds or certificates of participation within the meaning of Section 1 of Article XVI of the California Constitution or otherwise, except as expressly provided in this section.

(e) A school district that has a qualified or negative certification pursuant to Section 42131, or a county office of education that has a qualified or negative certification pursuant to Section 1240, may not participate under this section.

(f) The authority shall report to the Legislature by January 1, 2001, on the number of school districts or county offices of education electing to participate under this section and on the financial stability of the participating school districts and county offices of education.



SEC. 3. Section 94153 of the Education Code is repealed.

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